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# CORPORATE SOCIAL RESPONSIBILITY INITIATIVES OF MAJOR ASIAN AIRLINES

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## Abstract

Corporate social responsibility (CSR) plays an important role in the formation of airlines' strategies due to the unique characteristics of the airline industry. Nevertheless, CSR in the airline industry has received relatively little attention from academics. The purpose of this study is to present a preliminary exploration of the CSR issues being addressed and reported by twelve major Asian airlines. This research is exploratory by nature and is based on the CSR reports published by the selected airlines and related CSR information on the company websites. The main focuses of major Asian airlines' CSR commitments and practices are identified, which will set the foundation for future enquiry and research.

**Keywords:** Airline, Corporate Social Responsibility, Asia

## Introduction

Corporations are inseparable from society. Nowadays, the responsibility of corporations is not solely providing products and services; it must also take care of the welfare of the various stakeholders in society [1]. Consumers' expectations for firms to assume more social responsibilities are rising as well. As a result, there is a growing attention to the topic of corporate social responsibility (CSR) from the corporate world.

In view of the unique characteristics of the airline industry, CSR may play an important role in the formation of airlines' strategies. First, the flying of airplanes will adversely affect the global environment [2]. Airlines with a cause for environmental protection can create favorable public image. Second, the fact that the airline industry is characterized by growing competition and airlines are offering increasingly similar products and services in the marketplace makes the promotion of CSR an attractive differentiation strategy. Lastly, international airlines operate in multiple countries and are increasingly expected to fulfill their responsibilities as a corporate citizen to meet the expectations of various stakeholders and customers [3]. As such, airlines can take advantage of the

positive effect of implementing CSR.

In response to the global trend towards CSR, this study aims to investigate the status and progress of CSR activities in the airline industry in Asia where the air transport will experience the highest growth rate among all other areas.

## Corporate Social Responsibility

CSR has been gaining momentum across the business community as a growing number of companies recognize that businesses are part of society and the impacts they have on the society.

There seems to be no universally agreed definition of CSR. Frankental even argues that "CSR is a vague and intangible term which can mean anything to anybody, and therefore is effectively without meaning" [4]. Holmes and Watts, on behalf of the World Business Council for Sustainable Development (WBCSD), provide a reasonably representative definition as "the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large [5]. It is generally agreed that CSR refers to the obligations of the firm to society [6]. Carroll suggests that CSR includes four kinds of responsibilities: economic, legal, ethical, and philanthropic. The economic responsibility refers to the firm's obligations to be productive, profitable, and to maintain wealth. Firm's legal responsibility refers to carrying out their activities within the confines of legal requirements. Their ethical responsibility refers to having ethical codes, norms going beyond mere legal frameworks, and being honest in their relationships with their customers and their own employees. Finally, the discretionary component includes voluntary or philanthropic activities aiming to raise the well-being and development of society as a whole [7]. The Commission of the European Communities identifies an internal and an external dimension to a company's approach to CSR. The former concerns socially responsible practices within the company while the latter extends outside the company into the local community and beyond and involves a wide range of external stakeholders [8].

The development of CSR reporting has witnessed three stages. The first stage dating from the early 1970s was mostly in the form of advertisements and annual reports that focused on environmental issues but not directly linked to corporate performance. The second stage in the late 1980s emphasized the introduction of a social audit, which examined the social responsibility performance of companies with respect to all affected stakeholders. The third stage beginning from the 1990s was evidenced by the strengthening of social audit by the introduction of externally set and certified standards [9].

### Method

In order to review the nature of the agendas being pursued within the airline industry, twelve airlines based in Asia were selected for study. They are China Airlines (CAL), Eva Air (EVA), Japan Airlines (JAL), All Nippon Airways (ANA), Korean Air, Asiana, Cathay Pacific, Singapore Airlines (SIA), Garuda International, Philippine Airlines, Malaysia Airlines, and Thai Airways. An internet search for CSR information on the company websites was undertaken which revealed some variation of CSR information put on the websites by the selected airlines.

Only three airlines (JAL, ANA, and Cathay Pacific) produce standalone CSR Reports. Korean Air and Asiana publish a comprehensive and detailed Sustainability Report, respectively, outlining the company's social responsibility, environmental soundness, and economic achievements. The majority of the selected airlines present their CSR information in their annual reports and one provided very limited CSR information on the company website (Table 1).

The selected airlines present CSR issues under a variety of headings. This study follows Jones, Comfort and Hiller's classification of marketplace, workplace, community, and environment in an attempt to capture CSR agendas as reported by the selected airlines [9,10].

### Results

#### The marketplace

Safety is the most important social responsibility for the aviation industry. All of the selected airlines stress their commitment in the pursuit of flight safety. Cathay Pacific, for example, establishes a series of safety performance targets including zero accidents, zero high risk or severe incidents, and regulatory report rates below 4 per 1,000 flights. In 2008, Cathay Pacific only has a single serious injury and zero passenger fatalities. To ensure passenger safety, Cathay Pacific has implemented an airline

Safety Management System (SMS) that manages safety as an integral part of its overall business. In addition to safety, the airlines report a number of issues relating to the marketplace. Among them, customer service receives the most widespread attention. Being a service-intensive industry, responding to customers' needs is at the heart of airline businesses. Cathay Pacific, for example, measures customer satisfaction through ongoing Reflex Passenger Survey which collects around 30,000 responses across all cabin classes for both Cathay Pacific and Dragonair per month. In the beginning of the ANA Group's CSR Report 2009, the company reports the preventive measures for tow incidents occurred in 2008 that significantly impaired stakeholder trust in the ANA Group.

As an international business, any violation of applicable antitrust and competition rules may cost millions for airlines. Cathay Pacific announced it had reached an agreement with the United States Department of Justice under which it pledged guilty to a violation of the US Sherman Act and paid a fine of US\$60 million. Cathay Pacific has a Competition Compliance Office which ensures that the airline, and all its employees, complies with the airline's antitrust policy and other competition laws. The airline has established the competition compliance guidelines and organized workshops and training courses on this issue since 2007.

Increasingly, airlines are requesting their business partners to do their best on CSR as well. Airlines work closely with their suppliers to ensure that ethical standards and practices are implemented throughout the procurement and supply chain management processes. Cathay Pacific's suppliers were sent a Supplier Code of Conduct questionnaire in 2007 and 2008. No bribery case was reported in 2008. Further, Cathay Pacific encourages its partners to make significant contributions on their social and environmental performances in their respective fields.

#### Workplace

All the selected airlines emphasize that safety and people are at the core of their organizational culture and they continually strive to provide a safe and harmonious work environment.

Cathay Pacific sets a variety of safety performance targets in the areas of operational safety, passenger safety, food safety, staff safety, and public health. The company stresses the importance of employee engagement in the form of consultation with different members of its staff and ensures that adequate feedback mechanisms are available. At Cathay Pacific, the Cabin Crew Consultative Group composed of a diverse range of cabin crew helps identify and articulate issues such as an alignment of

retirement age, absence management, hourly paid crew issues, and the different aspects of their working environment. For example, a great deal of attention has been focused on galley services and equipment as well as handling baggage which accounted for the majority of the cabin crew injuries in 2008.

Korean Air reports a special section of Ethical Management at the very beginning of its Sustainability Report of 2009. The company instituted the Korean Air Ethical Charter in 2000, which provides guidelines for the employees regarding ethical behavior in business activities. In addition, Korean Air entered into the UN global Compact in 2007 to further upgrade the standard of its ethical management practices and to actively fulfill its corporate social responsibilities. In order to improve workplace relationships and employee morale, Korean Air has created an Employee Counselling Center to resolve complaints and receive suggestions from employees. The company is also proud of its industry-leading level of wages and incentives which is effective in promoting financial stability and fostering a positive workplace environment. As an example, new employees with Bachelor degree are paid at a rate of 310% of Korea's legal minimum wage.

### Community

The selected airlines recognize the impacts they may have on the communities within which they operate and they all report on these issues in their CSR reports and information. The majority of airlines report their efforts to charity contributions to local and international organizations. Asian, for example, has been working with the Korean Committee for UNICEF (United Nations Children's Fund) to conduct Change for Good collections on its international routes. In spring each year, the company has held a bazaar, in which they sell food and goods donated by its employees to contribute the profit to help the underprivileged. Korean Air contributes to the well-being of local communities through global art and cultural sponsorships; for example, it enters into a sponsorship of a multimedia guiding service in Korean language with three of the world's most famous museums.

Cathay Pacific engages in a variety of activities both in Hong Kong and the countries to which it flies. The "English on Air" educational program is designed to provide students with a chance to practice English with the multinational English-speaking pilots, cabin crew, and staff while visiting Cathay Pacific City. The Cathay Pacific Volunteers Team, set up in 2007, contribute significantly to various community activities in Hong Kong. Being an international airline, Cathay

Pacific's community investments also extend to communities outside of Hong Kong. For example, staff in Sri Lanka pool efforts for a community project at the Children's Convalescent Home, which provides refuge for abandoned children. In Singapore, the company is involved in various initiatives supporting Habitat for Humanity, a non-profit organization addressing poverty and housing needs.

The JAL Group started a "Wings of Love" program in 1988. With this program, students from children's homes across Japan are invited for a three-day trip to Tokyo. Every January, two employees from the JAL Group are selected to run the "Wings of Love" program office and plan safe and practical activities for the children. In addition, JAL collaborates with the JAL Foundation by providing air tickets to participants in various programs. Interestingly, JAL gets close to the community through sports, such as women's basketball, men's rugby, and cheer leaders. The women's basketball team participates in the national tournament each year and holds training sessions for young students in different cities.

### Environment

All of the selected airlines recognize the aviation industry's relatively small but growing contribution to the environment and all report on environmental issues and agendas. These environmental issues include climate change, fleet modernization, air traffic management, aircraft maintenance, noise management, inflight waste management, and initiatives on the ground.

Cathay Pacific, for example, was among the 140 major companies signing the Poznan Communiqué on Climate Change and became a founding member of the Aviation Global Deal Group, which aims to contribute to the debate to include emissions from international aviation in a global climate change treaty. CO<sub>2</sub> accounts for the majority of the greenhouse gases, which are believed to be the primary cause of global warming. Fuel burn is the major source of CO<sub>2</sub> emissions. In 2008, Cathay Pacific produced a total of 14.4 million tonnes of CO<sub>2</sub> (t CO<sub>2</sub>) emissions, bringing in a total efficiency of 22.5% since 1998 and achieved an efficiency gain of 6% over 2005. The company also continues its fleet modernization plan by introducing newer and more fuel-efficient aircraft such as 777-300ERs, 747-400ERFs, and Airbus 330-300s and phasing out older aircraft types. This will exert positive impacts on fuel efficiency through reduced fuel consumption and fleet maintenance costs. To increase air traffic efficiencies, Cathay Pacific used two new shortened routes on Hong Kong to Europe routes and resulted

in a savings of between 0.6-0.9 tonnes of CO<sub>2</sub> per flight on these routes. Cathay Pacific also makes use of real time wind data to generate flexible flight tracks for dynamic flight planning. By flying these optimized routes, Cathay Pacific is able to reduce the amount of fuel burn and CO<sub>2</sub> emissions. In addition, Cathay Pacific is famous for its carbon offset program, *FLY greener*, which offers passengers the options of using cash or frequent flyer miles to pay for their offsets. In 2008, the program has encouraged its passengers to offset 3,457 t CO<sub>2</sub>. Cathay Pacific has set up an Environmental Affairs Department to ensure the implementation of its environmental commitments and the company has been accredited the ISO 14001 Environmental Management System. As to noise management, Cathay Pacific continues to invest in quieter aircraft such as Boeing 747-8 freighter equipped with new GENx engines, and follow noise-reducing operating procedures during take-off and landing. A Boeing 747-8 will make these aircraft quieter at take-off than a Boeing 747-400.

JAL addresses a number of environmental issues in its CSR Report. In 2006, JAL established the Operations Division Team-6%, which communicates directly with all flight crew members to fight against global warming. Some simple measures are adopted by JAL's flight crew to reduce fuel burn, such as taxiing to the arrival gate on three rather than four engines and making aircraft lighter by offloading unnecessary personal effects. Other measures include introducing porcelain tableware, which is 20% lighter, for the meal service in First and Business classes, using new lightweight cargo containers, uploading fewer amount of water on each flight, etc. In 2006, JAL's total CO<sub>2</sub> emissions were 15.8 million tons, down 6.5% from the previous year. In 2008, the ANA Group received the "Eco-First" designation from the Ministry of the Environment of Japan. The company presents a section of "JAL and the Environment" on its website, outlining its efforts on environmental action program, conservation initiatives, and social action program.

### Conclusion

The majority of the major Asian airlines demonstrate their commitment to CSR in different ways of reporting. These reporting identify priority areas of most concern from both the company and the society. Nevertheless, the content and extent of these reporting exhibit marked variations.

Cathay Pacific, JAL, and ANA produce dedicated and detailed CSR reports on annual basis. Korean Air and Asiana report their social responsibility initiatives in a broader and comprehensive Sustainability Reports. Some airlines, like China Airlines and Eva Air, devote a portion of their annual

reports to CSR. The general themes of social responsibility reported in this study appear to cover issues in the marketplace, the workplace, the environment, and the community. Flight safety stands out as the most important social responsibility, followed by customer relations.

It must be pointed out that simply having produced a CSR report does not imply that it is implemented. On the contrary, companies may actually support and contribute significantly to social responsibility without producing a CSR report [8]. Further, it is suggested that an industry-side framework for CSR reporting be developed to allow inter-airline comparisons to be made [11].

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Table 1. Forms of CSR reporting

	Standalone CSR Report	Standalone Sustainability Report	Standalone Environmental Report	CSR information in annual report	CSR information on company website
CAL				✓	✓
EVA				✓	
JAL	✓(2005-2009)				
ANA	✓(2005-2009)		✓(1998-2005)		
Korean Air		✓(2006-2009)	✓(2004-2005)		
Asiana		✓(2009)	✓(2002-2008)		
Cathay	✓(2006-2008)		✓(2003-2005)		
SIA			✓(-2008/2009)	✓	✓
Garuda				✓	
Philippine Airlines					
Malaysian				✓	
Thai Airways				✓	✓